Legislative Analysis

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EXEMPT WHOLE-HOME GENERATORS FROM ASSESSMENT OF TRUE CASH VALUE

House Bills 4378 and 4379 as enacted
Public Acts 240 and 241 of 2022
Sponsor: Rep. Alex Garza
House Committee: Local Government and Municipal Finance
Senate Committee: Finance
Complete to 2-9-23

SUMMARY:

House Bills 4378 and 4379 amend different acts to exclude whole-home generators from being included in the assessment of the true cash value of residential property. The bills define the installation, replacement, or repair of a whole-home generator as a normal maintenance and repair activity rather than as new construction or an addition to the property. The bills also extend a COVID-related tax assessment provision to apply through the 2023 tax year.

House Bill 4378 amends the General Property Tax Act to exclude the installation, replacement, or repair of a whole-home generator from being considered when determining the true cash value of residential property.

Under the act, in assessing the true cash value of residential property, assessors cannot consider the increase in value resulting from money spent on normal repairs, replacement, and maintenance until the property is sold. The act lists such several maintenance and repair activities that are considered normal maintenance as long as they are not part of a structural addition or completion, such as inside or outside painting, adding gutters or downspouts, and replacing plumbing, furnaces, or hot water heaters.

The bill adds installing, replacing, or repairing a whole-home generator to this list of normal maintenance activities that are not considered in determining a property's true cash value. The bill also excludes the installation, replacement, or repair of a whole-home generator from being considered "additions" or "new construction" in determining a property's taxable value.

In addition, the act provides, for specified tax years, that personal property that, due to the COVID-19 pandemic, is located somewhere other than its ordinary location on tax day must still be assessed in its ordinary location. The bill adds that this also applies in tax year 2023.

MCL 211.14a, 211.27, and 211.34d

House Bill 4379 amends the Michigan Economic Growth Authority Act to provide that the definition of "new construction" under that act is subject to the provisions described above that define the installation, replacement, or repair of a whole-home generator as normal maintenance to be excluded from consideration in determining true cash value.

MCL 207.803

The bills took effect December 14, 2022.

FISCAL IMPACT:

To the extent that the bills exempt whole-home generators from the calculation of the true cash value, the bills would reduce revenues for state and local governments by an unknown amount due to the potential for reduced taxable values. For the state, the provisions of the bills would reduce revenue from the six-mill state education tax and, in some instances, the 18-mill non-homestead levy earmarked for local schools. Local governments would realize revenue losses in an amount equal to the taxable value reduction as a result of the bills' provisions multiplied by the local unit's millage rate. Information on the number of properties statewide that would be impacted by the provisions of these bills was not available at the time of this writing.

The extension to tax year (TY) 2023 of provisions addressing certain personal property located other than at its ordinary location on tax day would have no impact on state revenue because the 6-mill state education tax would apply regardless of where the equipment is located, and the non-homestead levy that accrues to local K-12 education is 18 mills in almost all local taxing jurisdictions.

Because the bill extends the treatment from TY 2022 for TY 2023, the impact across local units is unknown and would depend on where the personal property in question is located relative to the TY 2022 provisions. Because local millage rates vary, there is no way to identify which jurisdictions would gain or lose revenue, or even if the total amount would be higher or lower in the absence of the bill.

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